

Message Text

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ACTION EUR-25

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AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: ETRD EGEN US UR XT JA

SUBJ: PROTEST OF RENTAL INCREASES ON HOTEL SPACE OCCUPIED
BY FOREIGN FIRMS IN MOSCOW

1. SUMMARY: REACTING TO DRASTIC AUGUST 1 INCREASE IN
RENTALS FOR MOSCOW HOTEL SPACE OCCUPIED BY RESIDENT FOREIGN
BUSINESSMEN, EMBASSY PROPOSES JOIN OTHER WESTERN EMBASSIES
IN SIMILARLY-WORDED OFFICIAL PROTEST TO FOREIGN MINISTRY.
OF 27 FIRMS FROM U.S., GREAT BRITAIN, WEST GERMANY, JAPAN,
CANADA, BELGIUM, AND SCANDINAVIA REPRESENTED HERE, 17 HAVE
OFFICES AND IN SOME INSTANCES LIVING QUARTERS IN HOTELS.
THREE OF FIVE AMERICAN COMPANIES WHICH MAINTAIN MOSCOW
OFFICES ARE AFFECTED BY RENT HIKES. END SUMMARY.

2. EFFECTIVE AUGUST 1, RENTAL CHARGES FOR MOSCOW HOTEL
SPACE OCCUPIED BY RESIDENT FOREIGN BUSINESSMEN WERE IN-
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CREASED DRASTICALLY. OF 27 FIRMS FROM THE UNITED STATES,
GREATBRITAIN, BELGIUM, CANADA, JAPAN, WEST GERMANY AND
SCANDINAVIA (SAS) REPRESENTED HERE, 17 MAINTAIN OFFICES
AND IN SOME INSTANCES LIVING QUARTERS IN HOTELS. THREE OF

THE FIVE AMERICAN COMPANIES WHICH HAVE OFFICES IN MOSCOW ARE AFFECTED, AMERICAN EXPRESS, OCCIDENTAL PETROLEUM AND PULLMAN, WHILE A FOURTH, PAN AMERICAN WORLD AIRWAYS, HAS RECEIVED HINTS THAT A RENTAL INCREASE IS IN THE OFFING.

3. IMPOSED AS THE EMBASSY UNDERSTANDS ON THE INITIATIVE OF THE CHIEF OF THE ADMINISTRATION FOR FOREIGN TOURISM, SERGEY S. NIKITIN, AND THE AUTHORITIES OF THE MOSCOW CITY COUNCIL (MOSSOVET), THE INCREASES WERE FIXED ON THE FOLLOWING SCALE:

OLD RATE (DAILY) RUBLES	NEW RATE (DAILY) RUBLES
10	15
12	18
13	20
14	25
18	35/40
20	40
25	80

4. APPARENTLY IN RECOGNITION THAT THEIR PRESENCE IN THE HOTELS IS DESIRABLE, THE FOREIGN AIRLINES HAVE SO FAR RECEIVED SOMEWHAT MORE FAVORABLE TREATMENT THAN THE COMMERCIAL FIRMS. THE AUGUST 1 INCREASES HAVE EQUALIZED THE RENTS PAID BY SAS, AIR CANADA, JAPAN AIRLINES, LUGTHANSA AND SABENA AT 40 RUBLES PER DAY, WHILE PAN AM STILL PAYS 28.80 RUBLES PER DAY BUT ANTICIPATES AN INCREASE TO 40 RUBLES WITHIN THE NEXT FEW MONTHS.

5. COMPANY REACTION TO THE SUDDEN RISE IN SPACE CHARGE HAS VARIED. ONE BRITISH FIRM (ICL) MOVED FROM QUARTERS IN THE UKRAINA HOTEL TO A TEMPORARILY VACANT BRITISH EMBASSY APPARTMENT A FEW DAYS AFTER THE INCREASE WAS ANNOUNCED. THE HOME OFFICES OF SIEMENS (WEST GERMANY) AND AIR CANADA HAVE NOTIFIED THEIR LOCAL AGENTS THAT THE MOSCOW OFFICES OF BOTH FIRMS WILL BE CLOSED IF THE INCREASES ARE SUSTAINED. JAPAN AIRLINES HAS PRO-TESTED TO THE MINISTRY OF CIVIL AVIATION, BUT SABENA LIMITED OFFICIAL USE
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HAS INDICATED IT WILL PAY THE HIGHER RENT WITHOUT COMPLAINT SINCE THE NEW RATES TEND TO EQUALIZE ALL AIRLINE RENTS AT THE SAME LEVEL. AMERICAN FIRMS HAVE RACTED VARIOUSLY-- PULLMAN HAS ASKED THE EMBASSY'S ASSISTANCE, OCCIDENTAL HAS MADE ITS DISSATISFACTION KNOWN TO THE SOVIET AUTHORITIES WHILE AMERICAN EXPRESS HAS BARGAINED WITH INTOURIST (AND THEREBY SECURED A REDUCTION IN THE INCREASE).

6. REACTION AMONG THE FOREIGN EMBASSIES IN MOSCOW HAS TENDED TO REFLECT EACH COUNTRY'S INDIVIDUAL SITUATION. THE BRITISH, WEST GERMANS AND JAPANESE ARE SERIOUSLY CONCERNED. REPRESENTATIVE OF OTHER COUNTRIES WHICH BELONG

TO NATO HAVE INDICATED INTEREST IN EXPRESSING A GENERAL PROTEST TO THE MINISTRY OF FOREIGN AFFAIRS. IT APPEARS LIKELY THAT AT LEAST THE CANADIANS, DANES AND JAPANESE WILL BE WILLING TO JOIN THE BRITISH AND WEST GERMANS PROVIDED THAT THE UNITED STATES ALSO SUBMITS A NOTE OF PROTEST TO THE MINISTRY.

7. EMBASSY BELIEVES THAT ANY REACTION TO RENT INCREASES SHOULD BE MADE IN THE NEAR FUTURE, AND THEREFORE PROPOSES TO TRANSMIT A NOTE OF PROTEST ALONG THE FOLLOWING LINES TO THE FOREIGN MINISTRY, THEREAFTER DISCUSSING TEXT OF NOTE IN CONVERSATION WITH CONTACTS IN MINISTRY OF FOREIGN TRADE (TEXT GENERALLY REFLECTS APPROACH PROPOSED BY U.S., BRITISH, AND WEST GERMANS AND CONCURRED IN BY OTHER NATO MEMBERS AND JAPAN). (BEGIN DRAFT TEXT) THE EMBASSY OF THE (UNITED STATES OF AMERICA) WISHES TO DRAW THE MINISTRY'S ATTENTION TO CERTAIN EVENTS PREJUDICIAL TO THE CONTINUED DEVELOPMENT OF MUTUALLY-BENEFICIAL COMMERCIAL AND ECONOMIC RELATIONS BETWEEN THE UNITED STATES OF AMERICA AND THE UNION OF SOVIET SOCIALIST REPUBLICS.

IT IS THE EMBASSY'S UNDERSTANDING THAT WITH EFFECT FROM AUGUST 1 RENTAL CHARGES FOR OFFICE AND OTHER SPACE IN MOSCOW HOTELS OCCUPIED BY RESIDENT REPRESENTATIVES OF CERTAIN (UNITED STATES) BUSINESS FIRMS WERE INCREASED DRASTICALLY, IN SOME INSTANCES BY MORE THAN TWO HUNDRED PERCENT. THE INCREASE WERE GENERALLY IMPOSED WITHOUT PRIOR NOTICE.

THE EMBASSY CANNOT REGARD SUCH MANUPULATION OF HOTEL COSTS FOR FOREIGN FIRMS IN MOSCOW AS HELPFUL IN STRENGTHEN-LIMITED OFFICIAL USE
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IN G COOPERATION BETWEEN COMMERCIAL AND ECONOMIC ENTERPRISES OF THE TWO COUNTRIES. THE EMBASSY IS SURPRISES THAT IN VIEW OF (SOVIET EXPRESSIONS OF A DESIRE FOR AN INCREASE IN TRADE AND TECHNOLOGICAL AND ECONOMIC COOPERATION BETWEEN THE UNITED KINGDOM AND THE SOVIET UNION (BRITISH VERSION)) (THOSE INCREASINGLY FAVORABLE BUSINESS TIES WITH THE PRESIDENT OF THE UNITED STATES AND THE GENERAL SECRETARY OF THE CENTRAL COMMITTEE OF THE COMMUNIST PARTY OF THE SOVIET UNION HAVE PLEDGED THEMSELVES TO FURTHER (U.S. VERSION)), THE SOVIET AUTHORITIES SHOULD SEE FIT UNILATERALLY TO IMPOSE SUCH INCREASES IN RENT AS WILL HAVE AN ADVERSE EFFECT UPON THE ABILITY OF (AMERICAN) COMPANIES TO MAINTAIN AN EFFECTIVE PRESENCE IN THE SOVIET UNION.

THE EMBASSY WOULD THEREFORE BE GRATEFUL IF THE MINISTRY WOULD REQUEST THE APPROPRIATE SOVIET AUTHORITIES URGENTLY TO CONSIDER RESCINDING THESE INCREASES OR OFFERING FOREIGN COMMERCIAL ENTERPRISES ALTERNATIVE HOUSING IN OTHER BUILDINGS. (END DRAFT TEXT).

8. DEPARTMENT'S VIEWS ARE REQUESTED. BRITISH CERTAIN TO

BEING UP QUESTION IN WEEKLY QUADRIpartite MEETING AUG 16 AND IF
DEPARTMENT APPROVES METHOD OF APPROACH OUTLINED IN PARA (7),
EMBASSY WOULD EXPECT TO COORDINATE TIMING TRANSMITTAL WITH
OTHERS, PREFERABLY ARRANGING FOR ALL NOTES TO REACH FOREIGN
MINISTRY SAME DAY NEXT WEEK. AT SAME TIME, WE WOULD EXPECT
COMPANIES AFFECTED TO PROTEST INDIVIDUALLY TO SOVIET ORGANI-
ZATIONS TO WHICH THEY ARE ACCREDITED.

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